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Admitted 11/21/03 CWS

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

CITIZENS UTILITY BOARD

OFFICIAL FILE

Docket No. 03-0592

Complaint requesting the ICC to order  
Peoples Energy Services to cease and  
desist misleading marketing of gas  
offering.

DOCKET NO. 03-0592

Exhibit No. 1

Witness )

Date 11/21/03 Reporter TR

AFFIDAVIT OF WENDY ITO

Wendy Ito, of lawful age and being first duly sworn on oath, state as follows:

1. I am the Director, Business Planning and Development, of Peoples Energy Services Corporation ("PE Services"), and I make this affidavit on personal knowledge as to facts to which I would be competent to testify. This affidavit is made in support of PE Services' Answer to the Verified Complaint of the Citizens Utility Board.

2. Beginning on September 8, 2003 and continuing for the next four to five days, PE Services sent a one-page offer to 200,000 residential consumers in the Northern Illinois Gas Company ("NiGas" or "Nicor") and North Shore Gas Company ("North Shore") service territories. The offer consisted of a one-page document that contained material on two sides, with the front hereinafter referred to as the "offer letter" and the back hereinafter referred to as the "Natural Gas Agreement." This one-page document fully described the terms and conditions, including charges and fees, of the services that PE Services was offering to provide. The offer provided consumers with a simple and stable pricing plan to lock into a fixed price of \$.62 per therm for all the gas used until September 2005. The offer letter provided a brief description of the offer. The Natural Gas Agreement provided the complete terms and conditions for service. A copy of this offer is attached as Exhibit A.

3. While PE Services believes that the offer complied with all legal requirements, PE Services will send to all customers who accepted the offer a letter substantially in the form of Exhibit B. This letter grants all such customers an additional right to rescind their respective agreements. The customers will have the right to rescind the agreement, effective with the next meter reading date after the utility processes the change request, with no further liability to PE Services, other than for payment of gas already delivered to the customer. The termination fee described above and in the Natural Gas Agreement will not apply.

4. The offer was initially limited to 2,000 customers because PE Services had secured supply that it estimated would be sufficient to serve only that number of customers. Prior to making a fixed price offering, PE Services contracts with its gas suppliers for sufficient supply to support the offer it is making. PE Services determines the number of customers to which it can extend an offer based on the amount of supply for which it contracts and estimated customer usage. Subsequent to the mailing of the offer, PE Services was able to secure additional supply which would allow it to serve additional customers at the same price and for the same two-year term. Although specific dates have not been set, PE Services intends to make this offer or a similar offer to different customers within the NiGas, North Shore and The Peoples Gas Light and Coke Company service territories.

5. To enroll for this offer customers could complete and return the card attached to the offer or call the toll free number listed on the offer. If the customer opted to enroll by returning the card attached to the offer, the customer needed to sign the card under the following statement: "I have read and agree to the terms and conditions of the Natural Gas Agreement." If a customer enrolls by telephone, there is a recording of the conversation and the confirmation of the transaction in which the customer verifies the account information, agrees to take service

from PE Services and consents to the term, pricing and rescission rights. A confirmation letter is sent to the customer that includes a copy of the Natural Gas Agreement.

6. Once a customer enrolled for this offer, PE Services mailed a confirmation letter along with another copy of the Natural Gas Agreement. Upon the customer's receipt of the confirmation letter, the customer had three business days to rescind the agreement. In fact, some customers have elected to rescind the offer.

7. A customer need not receive a written offer from PE Services in order to request and receive service from PE Services. A residential customer can call PE Services and request service at any time. PE Services will quote that customer a price and make an offer based on supply available to serve customers on that day. If a residential customer who had not received the offer called PE Services, that residential customer would be offered the \$.62 per therm price through September 2005, if any supply under the offer was remaining or if additional supply had been procured that would support that price.

8. Normally, if a customer wishes to terminate the Natural Gas Agreement after enrollment and after the rescission period has expired but before the end of the term, a termination fee applies. However, as explained in Exhibit B, PE Services is offering an additional opportunity to rescind the agreement and no termination fees will apply if the customer elects to rescind the offer in response to this additional opportunity. If a customer decides not to rescind the agreement in response to this second opportunity but later seeks to terminate the agreement before the end of the two-year term, the normally applicable termination fee will apply. A termination fee is necessary because, in order for PE Services to guarantee a fixed price to customers for an extended term such as two years, PE Services must make firm contractual commitments for supply. If customers terminate the agreement before the end of the

term, PE Services still has contractual commitments to its supplier for gas that the customer is no longer taking.

9. PE Services has made similar offers in the past where it has had to reject customers because of supply limitations.

10. Changes in wholesale gas market do not affect PE Services' firm price offers once the customer has enrolled. Regardless of changes in the wholesale market, customers who enrolled under the offer will receive gas at a price of \$.62 per therm through September 2005.

11. Customers receiving fixed price service pursuant to the pricing offer will not receive any pricing notices during the two-year term proposing a price increase. PE Services does not send pricing notices that would have the effect of increasing the commodity price during the initial contract term to fixed-price customers. Subsequent to the two-year term, the customer may take service under an index-based commodity price. For customers whose commodity price is based on the index price, PE Services may send them an offer to switch to a fixed price for the balance of the term. To become effective, the customer must sign and return such an offer.

12. Typically, PE Services sends to customers a pricing notice prior to the end of the contract term. This notice describes the commodity price and length of the additional term. Under Paragraph 7 of the Natural Gas Agreement, the pricing notice would become effective unless the customer notified PE Services that it objected to the pricing notice or unless the customer elected to terminate the agreement by giving written notice of termination.

13. The default price described in Paragraph 3 of the Natural Gas Agreement is intended to become effective only if (1) the agreement is not cancelled by either the customer or PE Services, and (2) the customer is not sent a pricing notice at the end of a contract term.

14. PE Services currently uses the utility single bill option and anticipates doing so for the two-year period covered by the offer. As a result, PE Services considers the bill due on the date specified on the utility bill and waives the application of the due date provision in Paragraph 5 of the Natural Gas Agreement. That provision, however, is necessary to allow PE Services to make timely payment to the respective utility in the event that PE Services switches to a marketer single bill.

15. PE Services is not a public utility. PE Services does not own, operate, manage or control any plant or equipment, or any part of a plant or equipment, for the transmission, delivery or furnishing of heat, light, water or power either directly or indirectly to or for the public. Nor is PE Services engaged in the transmission or delivery of natural gas by means of pipes and mains. Rather, PE Services contracts with third parties either for the transportation of gas or for city-gate purchases and the gas is delivered to the customer by the gas utility pursuant to the utility's tariff on file with the Illinois Commerce Commission.

Further affiant sayeth not.

  
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Wendy Ito

Subscribed and sworn to before me  
this 21st day of October, 2003.

  
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Notary Public

